

# Innovation Management of Stock Trading System

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## Abstract

Stock trading market fluctuated wildly, which affect a country's economic and business operation. One of the important factor in stock trading system is price change limit, in the case of Taiwan is 7 percent ups and downs per day. Nowadays stock price change limit is set by the government, and that is based on the economic development of the country, but this price change limit is not the same with business's view point. Basically business is a private owned property, and the authority of business have to responsible for the performance of operation. Release part control right of the price change limit to business by an innovation management way, which method allow companies decide 1 to 2 percent ups and downs price change limit, but this rate is still under the control of government. Innovation stock trading system will activate the trading of stock market.

**Keywords:** innovation management, per day stock trading price change limit, business operation, business management.

## 1. Introduction

It is easy to achieve the goal of the national wild regulatory compliance of stock trade system, but the disadvantage of this way is likely to ignore the changing factors of economic environment and mission of stock trading participants. There are too many diversity in the stock trading participants, such as government focus on control and management, but business focus on the survive of competition, except this, there are different industry characteristics, size of firm, purpose of raising funds for each firm, different way of enterprise in management of control enterprise and investors may have different goal of investment. For the better development of stock trade market, we need

multiple stock change range controls to satisfy multiple stock trading conditions.

The common reference of stock trading system is per day's price change limit, the other is buy and sale a stock in the same day, most government will expand or shrink the price change limit rate to active or tighten the stock market trading volume, on the other hand, government will tighten the trading system by limit trading a stock in the same day, that is partial way of government's control to the stock trading market.

Every country have its own different stock trading range limits, stock trading market may be a country's economic showcase, China's stock change range usually keep as ten percent, but they tried a system named Circuit Breaker System(CBS) in recent years to stop the trade in stock market. Traders of Chinese stock trade with technical analysis, they will make a strategy decision by observe and analyze transactions before they choose to buy or sale stocks, (Hui Qu, Xindan Li, 2014). There is no daily stock trade range limit in the U.S. stock market, but in Japan has taken level distance formula for daily trade range. Individual traders of stock market are still be the majority of investor of stock market, those investor's values perception also affect the stock market trading patterns and frame, (Jamdee Sutthisit, Shengxiong Wu, Bing Yu, 2012). Stock market will be affected by external events, and the Stock Daily Change Range Limit (SDCRL) of stock also affect the manner and degree of reaction to those events (Gregory J. Kuserk, Peter R. Locke, 1996), utility of SDCRL in stock market is an stop point of event reaction in trading, with which to forbid event over reaction in a transaction day, this is investors point of view in stock trading, the price change range limit will fit the issue of risk preference in a stock market, investors of risk preference will make trading decision connect with the SDCRL, then the situation of a stock

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market will face the familiar group member in a short time, and that is an sudden impact to stock market, and this impact will low down the stability of stock trading, most governments and investors dislike this situation, especially in a down stage stock market.

Usually, SDCRL is a mandatory regulation of the government, but the rapid and pluralism changes in the market are unpredictable and turmoil. There should have many different purposes in raise capital, business may raise capital for scale reason in expand market, some are raise capital for cut into overseas markets, the same point to most business are for continuing operations (Guy, John, 1995). Investors choose favor stock market and business to invest, thus, establish a stock trading system with SDCRL partial control by business will fit the multiple need of stock trading market, and which is consistence with government, business owner and investors. (Eugene F. Fama, James D. MacBeth).

Profitability usually associated with investor's reward and business growth (Merton H. Miller, Myron S. Scholes, 1982), business and investors plays an important role of the stock trading process, but the change in stock price limits have no room for them to express their opinion, if they can show what they want to frame a diversified stock trading system, may them will have their idea, such as the high ranking manager can set his operation project into relevant thinking (Guy, John, 1995).

There are a lot of prior research focus on the range of SDCRL, some of them are remove of the SDCRL in stock trading, but we did not find a research discuss about the SDCRL partial decide by the business, this research first pioneer made this claim for business owner have the right to claim his idea of SDCRL. Which will create diversity and vibrant stock trade market.

## **2. Different Approach Design-Related Factors of Business Partial Controlled SDCRL**

Operation step of SDCRL is pre file by the business first, and government will review the application, if it is permitted, govern can send a set account and password, business have to public the information the same time as the government before a setting period of time, after

that, then can directly get into the account to change the SDCRL to what they want, and this change of SDCRL can't be revise before due time, for the reason of it is a public information, any change should have prepare time for participants. If the pre file of SDCRL be rejected, which should have an explanation of for what reason, business have to follow and revise as the order of rejection, until it is permitted. If the business do not want to make any change of the SDCRL, this decision will be respect and kindly treated.

The business's SDCRL is licensed by the government, which is set for a period of time, and this could be one year or half year, it is up to the application and government's permission, and the range of SDCRL could be 1 to 2 percent, in the case of Taiwan SDCRL is 7 percent, which can be decided by business highest upward to 9 percent or lowest down to 5 percent, the adjustment of SDCRL is up to the business's strategy and need of operation.

### **2.1. Government's Point of Views to SDCRL**

The responsibility of Government is provide an efficient economic environment to business and investors, and that is good to the whole national economic participants, include the benefit of non-stock trading parties, except that, this environment will let business easy in raise necessary fund to expend scale and investors have multiple choice in buy and sell trade in stock market.

Nowadays information engineering technology is fully developed, it is easy to set prior filing license in government stock exchange. The business can set a SDCRL as his will before a government allowed time and range, and that SDCRL will work as setting at due time.

The advantage of designed new SDCRL to government are create an activate and multiple stock market, which let the business have more space to create commercial chances, sprit of economic freedom let business have space to thinking, creating and chances to win, if the government accept the idea of SDCRL, the cost most are to control computer setting, but the benefit of new SDCRL will created millions of chances.

If a business did not set such a SDCRL at permitted time, that will be treat as the business

give up the right of business setting SDCRL, this business' SDCRL will be the original value of government set SDCRL.

Business partial controlled SDCRL was authorized and allowed by the government, which is still under the controlled of the government, when stock market is upward, if trend of upward will hurt the national economic seriously, the government can withdraw granted the rights and order the business or direct amend the business set SDCRL, then the government can change it to an acceptable SDCRL in that period of time, until the economic recovered.

## *2.2. Business's Point of Views to SDCRL*

Business was born to win benefit and avoid risk, and they will take best care of themselves, new SDCRL let the business have chance to do and choose risk avoidance, if business operate an expand strategy, he can choose highest range of SDCRL, or business can operate an traditional way by choose lowest range of SDCRL. If permitted, business will make some distance of adjustments of its SDCRL, the adjustment can show the business character and style in the stock trading market, this can be a kind of Corporate Governance, and the pre-filing adjustment is already pre filed to the government.

The effect of business controlled SDCRL is when an upward stock market, the biggest SDCRL will strengthen buy power, if the business want to expand the business scale, he can choose and strategy higher SDCRL, this SDCRL reflect the idea of business owner and his logical model, that is a kind of business operation strategy, which activate the business world, there are a lot business in the world, not only different in size, policy, but also in culture background and industry, we can mix all different factors to create an colorful business world.

Basically, business owned stock are open trade in the market, thus, the price of a stock should be some distance protect by the business, if the price is abnormally upward or downward for reasons very often, which will be a sign of under value or over value of the business stock, and the other condition is the opportunist try to control and gain benefit from this business stock, thus, business need to develop its trading strategy in keep an amount of stock and capital

to buy and sale its stock, that is the trade strategy to that business.

Short term trading is a common phenomenon to a stock with extraordinary profit, but this kind of short term trading just like double edge sword, which company with both benefit and hurt, thus, business have some distance of responsibility to protect shareholder from bubble crash.

Usually, stock price shot up for the announcement of dividends, business can make a strategy of dividends announcement to achieve the goal of raise capital, on the other hand, release of dividends will slow down the business' growth.

The advantage of new designed SDCRL to business is it can be used to persuade customers, stockholder and investors by diversities of strategy in SDCRL, if this strategy been testified and last for a long period of time, which will be treated as a reliable sign by business related parties, after that, no matter loan to the bank or new international investment will be treat the same as reliable.

## *2.3. Investors' Point of Views to SDCRL*

The effect of new designed SDCRL in investors are in buy and sale decision, if in an upward stock market, new designed SDCRL will strength the power of buy action, and if in downward stock market, the biggest of SDCRL will strengthen the power of investor in sale action.

If investors are risk preference, they will choose the business with high SDCRL, especially in an upward stock market, if investors are risk avoidance, they will choose a lower SDCRL, for the new designed SDCRL let business have chance to create investors' need space in risk return.

## **3. Discussion**

This research discuss the adjustment of SDCRL, which can distinguish the business's economic condition and demand, as an example, if both filing and audit system are set to a period of one year, then, near next year will be a new cycle for both business and government to rethink about the decision of setting SDCRL, if it is really good to the participants and government, why not set it be a longer time, the best point is this stock system testified by most business's thinking.

### *3.1. Different Mission of Stock Trading Participants*

All upper factors are fulfilled depend on the condition of the country and companies, for both of these two group have different mission to exercise, and theses missions have big difference between them. Business want to raise funds to invest in the industry and survive in the market competition, or business may declare dividends higher in a setting time to attract investors (Merton H. Miller, Kevin Rock, 1985), may that is a way of interaction between companies and investors, and these upper actions are focus on increase influence of business (Merton H. Miller, Myron S. Scholes, 1982).

Mission of government is based on whole national economic and regulation setting, this is not for a single industry or company, but different industry may be huge difference, such as bank want higher interest rate, but foreign trade industry is totally different, they need lower interest rate to strengthen the power of export ability, on the other hand, about the individual investors, they also have different preferences and needs on stock investment (Eugene F. Fama, 1971), may some people tend to risk preference, except that, there still exist different way of measure risk to gain profit from stock market, thus, it is hard to have a qualitative rules or principles of SDCRL in stock trade market, which can include and cover all situation, one size of SDCRL for stock trade is a single standard of SDCRL, which is hard to fits so many different groups and cover there necessities.

### *3.2. Innovation of SDCRL*

Our innovated approach, allowing the original SDCRL in stock market be more lively, diverse thinking achieve simultaneous sound be organized in stock trading market by corporate governance, with which to active capital transactions purposes. If the business have a strong self-confidence, the business can choose the biggest SDCRL in stock trading market, or some business hope stable environment to grow, then he can choose a minimum SDCRL to reduce business fluctuations. The upper description is match the spirit of our idea, then business can choose a stable environment without too strong vibration to them in operation,

(Michael C. Jensen, William H. Meckling, 1976), lowest SDCRL will be best choice. On the other side, the government still can control the SDCRL from policy and economic way to satisfy what is necessary for the country, three win is the goal of this research.

After the atlas of new designs is obtained, a detailed design can be carried out by selecting one from the atlas.

## **4. Conclusions**

There are positive implication of analysis in new innovative stock trade system, which is good not only the national economic but also to business and individual investors.

Integration of all ideas to establish a new stock trading system, combine all opinions of all stock trade participants, it is possible to form a consensus and generate mutual trust of all parties to create biggest wealth, (Cam Caldwell, Mark H. Hansen (2010).

### *4.1. Stock Trading Efficiency*

For the goal of improve the existing rigidities stock trading policy, especially in nowadays' hard environment, investors need to face waves of stock trade decline, not only the government or investors are helpless, new method can improve some of the missing, we wish all parties of the stock trading market are action in accordance with the wishes of themselves without prejudice to national economic interests, most important is the way to achieve effective of stock trading. Further, the government still can increase or decrease the proportion of control in SDCRL when necessary.

### *4.2. Government's Control right*

Different stock have its best SDCRL in adjustments, in the case of financial stocks are large amount transaction in daily stock trade, we can set a smaller proportion of the amount SDCRL for them to adjust, one percent is better for huge enterprises in setting SDCRL, and perspective traditional industry would be better to have substantial authorizations, such as 1.5 percent of SDCRL. The government can always open or tighten the magnitude authorization. Business can base on the economic environment to set timely favorable adjustment to create the

best living environment, namely with the method to achieve win-win situation to all trade member.

#### *4.3. Suggestion of SDCRL*

Every business have its own way to measure performance (Stephen J. Brown, Jerold B. Warner, 1980), consider about the business's need in raise fund and individual investor's goal, except that, investors have it's different goal, thus, we need a diversify stock trade mechanism. From business's point of view in governance have to consider about the best and least risk way to raise fund (Robert S. Hamada, 1971), firm have to win profit from the market, investors have different preference of his goal, combine three parties necessary with suggested SDCRL stock trade system, include government regulation, business and individual investor's goal, this article suggest a new stock trade system, the strength of the new system distinguished different trade member and it's goal. This paper suggested that the SDCRL principally decided by the government, but allow businesses adjust according to their own need. Possible future research design for this issue may focus on the scope of empirical study of SDCRL trading system. In this paper, the result has shown that the new designs can produce a more wide range SDCRL of non-uniform stock trading system motion than the existing stock trading system.

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